

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

|                                |   |                      |
|--------------------------------|---|----------------------|
| In the Matter of               | ) | DOCKET NO. 2008-0273 |
|                                | ) |                      |
| PUBLIC UTILITIES COMMISSION    | ) |                      |
|                                | ) |                      |
| Instituting Proceedings to     | ) |                      |
| Investigate the Implementation | ) |                      |
| Of Feed-in Tariffs.            | ) |                      |
| _____                          | ) |                      |

FILED  
JUL 16 2008  
HONOLULU

**CITY AND COUNTY OF HONOLULU'S  
FINAL STATEMENT OF POSITION  
AND  
CERTIFICATE OF SERVICE**

CARRIE K.S. OKINAGA, 5958  
Corporation Counsel  
GORDON D. NELSON, 1819  
Deputy Corporation Counsel  
City and County of Honolulu  
530 South King, Room 110  
Honolulu, Hawai'i 96813  
Telephone: (808) 768-5243  
Attorneys for the  
CITY AND COUNTY OF HONOLULU

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

|                                |   |                      |
|--------------------------------|---|----------------------|
| In the Matter of               | ) | DOCKET NO. 2008-0273 |
|                                | ) |                      |
| PUBLIC UTILITIES COMMISSION    | ) |                      |
|                                | ) |                      |
| Instituting Proceedings to     | ) |                      |
| Investigate the Implementation | ) |                      |
| Of Feed-in Tariffs.            | ) |                      |
| _____                          | ) |                      |

CITY AND COUNTY OF HONOLULU'S  
FINAL STATEMENT OF POSITION

The CITY AND COUNTY OF HONOLULU (City), by and through its attorneys, Corporation Counsel, Carrie K. S. Okinaga, and Deputy Corporation Counsel, Gordon D. Nelson, hereby submits its Final Statement of Position regarding the implementation of feed-in tariffs for Hawaiian Electric Company, Inc., Maui Electric Company Ltd. and the Hawaii Electric Light Company, Ltd. (collectively: HECO):

1. The City does not propose specific feed-in tariff designs or pricing methods.
2. It joins in the Opening and Final Statements of Position of Carl Freedman, dba Haiku Design and Analysis (HDA), as identifying several important general issues that need to be addressed before specific tariff designs or pricing methods can be decided. As an example, the Joint Proposal filed by HECO and the Consumer Advocate has identified a number of different objectives or goals without indicating their priority. In response to Information Requests, however, HECO acknowledged that its objective

was primarily the orderly introduction of renewables. Clearly, however, other parties in this matter view the main goal of a based feed-in tariff ("PBFiT") to be the encouragement of as much use of renewable resources as possible, as soon as possible. These differing views of the objectives to be achieved lead to different proposals for tariff design tariff policies. Greater clarity on objectives and general issues is desired.

3. The near term plans of the City to expand its generating capacity include two photovoltaic projects the production of which will be consumed onsite and the addition of a "Third Boiler" at H-Power. It seems unlikely that the City would submit any of these projects under a PBFiT in the form presently proposed by HEC0 and the Consumer Advocate. Even if the initially covered technologies were to be expanded to include biomass, the Third Boiler would not come within the low caps for a PBFiT project contemplated under the Joint Proposal filed by HEC0 and the Consumer Advocate.

4. Subject to the foregoing general observations and caveats, the City sets forth the following positions:

5. The City supports the inclusion of biomass and biogas technologies in initial round of the PBFiT. These technologies offer firm, dispatchable energy and pose fewer difficulties for integration into the HEC0 grid.

6. The City seeks clarification as to whether the inclusion of biomass technology in initial round of the PBFiT would include municipal solid waste technology. Municipal solid waste technology is a form of biomass technology as currently defined under Hawaii's RPS standards.



7. A PBFiT should be an option for a renewable energy generator. Smaller generators who also qualify for net-metering should have the option to sell their energy under that regime, which should not be eliminated as part of the adoption of a PBFiT. Larger generators who would prefer to enter into a traditional avoided cost PPA should be free to pursue that alternative, as HEC0 and the CA propose.

8. The City observed in its Opening Statement of Position that if it is accepted that the purpose of PBFiTs is to encourage rapid development of renewable energy projects, there should be no caps, at least for the initial five to ten years of development experience under this tariff. However, to decide on the issue of caps it is necessary to first determine the primary objectives of the PBFiT, and decide whether rapid development of as much green energy as possible as rapidly as possible is its primary goal, or whether that goal is what HEC0 describes as the "orderly" development of green energy.

9. The European experience suggests that a "must-take" requirement is critical to the effectiveness of a PBFiT; that the tariff must find a way to eliminate limitations or barriers to connection. HEC0 and the CA have proposed that all of the cost of interconnection be borne by the developer. This is perhaps consistent with past practices in connection with PPAs, but the Commission should perhaps consider whether to provide for some degree of cost sharing. Again, whether or not to do so turns upon policy considerations and priorities about which the parties may differ. In any event, the tariff should provide for recovery of interconnection costs that are incurred by the developer, as part of the price received.

10. Requiring HEC0 to purchase only the net output at the PBFIT price appears to be consistent with past practice in connection with Power Purchase Agreements, and the City would support that design feature.

11. Pursuant to agreement reached during the March 18-19, 2009 technical conference and settlement discussions, the Parties agree that the standard term for a Schedule FIT Agreement should be 20 years for all eligible renewable resources provided that appropriate evidence is presented to support this length of term as consistent with the average expected life of each eligible resource.

12. With respect to post-contract production, HEC0 and the CA have suggested that the parties could agree to continue to operate under the PBFiT rate on a year-to-year basis. That begs the question when the parties cannot agree. Perhaps the utility should be required to continue to purchase all post-contract production, but at a discounted wholesale green rate (discounted because it is not a new source). This would benefit the utility and its ratepayers by guaranteeing a continuing source of inexpensive green power and would benefit the developer by extending its income stream.

13. Protection of developers and their investors against inflation needs to be made a feature of a PBFiT or, alternatively, the initial tariff will have to be higher to take account that the inflation risk is being assumed by the developer.

14. The City agrees that a well designed PBFiT should reward clean power developers for actual power produced instead of rewarding developers for achieving preliminary milestones in the development process.

15. To the extent permissible, the PBFiT price should be time-differentiated to encourage on-peak production for technologies that can follow load.

16. The City does not believe renewable energy developers should be required to assign tax credits, renewable energy credits, carbon credits or similar credits to the utility. The basic PBFiT price should be set without consideration of these credits. If the developer negotiates with the utility for an assignment of such credits, this should be a separate contract, or at least a separate pricing component.

17. The City agrees with the general principle that the PBFiT should "do no harm". More specifically, its position is that existing generators on the HEC0 grid should not be financially harmed by increasing curtailments that may result from the addition of more distributed generation to the HEC0 grid.

18. The City notes that other parties in this matter have proposed an alternative tariff with specified prices. It is the City's position that there is insufficient information available at this point to make judgments about proper pricing.

DATED: Honolulu, Hawaii, March 30, 2009.

Respectfully submitted,

CARRIE K. S. OKINAGA  
Corporation Counsel

By



GORDON D. NELSON

Deputy Corporation Counsel

Attorneys for the City and County of Honolulu



BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

|                                |   |                      |
|--------------------------------|---|----------------------|
| In the Matter of               | ) | DOCKET NO. 2008-0273 |
|                                | ) |                      |
| PUBLIC UTILITIES COMMISSION    | ) |                      |
|                                | ) |                      |
| Instituting Proceedings to     | ) |                      |
| Investigate the Implementation | ) |                      |
| Of Feed-in Tariffs.            | ) |                      |
| _____                          | ) |                      |

CERTIFICATE OF SERVICE

The foregoing document was served on the date of filing by electronic transmission on the date of signature to each of the parties listed below.

CATHERINE P. AWAKUNI  
EXECUTIVE DIRECTOR  
DEPT. OF COMMERCE & CONSUMER AFFAIRS  
DIVISION OF CONSUMER ADVOCACY  
P. O. Box 541  
Honolulu, Hawaii 96809

DEAN MATSUURA  
MANAGER  
REGULATORY AFFAIRS  
HAWAIIAN ELECTRIC COMPANY, INC.  
P. O. Box 2750  
Honolulu, Hawaii 96840-0001

JAY IGNACIO  
PRESIDENT  
HAWAII ELECTRIC LIGHT COMPANY, INC.  
P. O. Box 1027  
Hilo, Hawaii 96721-1027

EDWARD L. REINHARDT  
PRESIDENT  
MAUI ELECTRIC COMPANY, LTD.  
P. O. Box 398  
Kahului, Hawaii 96732

THOMAS W. WILLIAMS, JR., ESQ.  
PETER Y. KIKUTA, ESQ.  
DAMON L. SCHMIDT, ESQ.  
GOODSILL, ANDERSON QUINN & STIFEL  
Alii Place, Suite 1800  
1099 Alakea Street  
Honolulu, Hawaii 96813

ROD S. AOKI, ESQ.  
ALCANTAR & KAHL LLP  
120 Montgomery Street, Suite 2200  
San Francisco, CA 94104

MARK J. BENNETT, ESQ.  
DEBORAH DAY EMERSON, ESQ.  
GREGG J. KINKLEY, ESQ.  
DEPARTMENT OF THE ATTORNEY GENERAL  
425 Queen Street  
Honolulu, Hawaii 96813  
Counsel for DBEDT

LINCOLN S. T. ASHIDA, ESQ.  
WILLIAM V. BRILHANTE JR., ESQ.  
MICHAEL J. UDOVIC, ESQ.  
DEPARTMENT OF THE CORPORATION COUNSEL  
COUNTY OF HAWAII  
101 Aupuni Street, Suite 325  
Hilo, Hawaii 96720

MR. HENRY Q. CURTIS  
MS. KAT BRADY  
LIFE OF THE LAND  
76 North King Street, Suite 203  
Honolulu, Hawaii 96817



MR. CARL FREEDMAN  
HAIKU DESIGN & ANALYSIS  
4234 Hana Highway  
Haiku, Hawaii 96708

MR. WARREN S. BOLLMEIER II  
PRESIDENT  
HAWAII RENEWABLE ENERGY ALLIANCE  
46-040 Konane Place, #3816  
Kaneohe, Hawaii 96744

DOUGLAS A. CODIGA, ESQ.  
SCHLACK ITO LOCKWOOD PIPER & ELKIND  
TOPA FINANCIAL CENTER  
745 Fort Street, Suite 1500  
Honolulu, Hawaii 96813  
Counsel for BLUE PLANET FOUNDATION

MR. MARK DUDA  
PRESIDENT  
HAWAII SOLAR ENERGY ASSOCIATION  
P. O. Box 37070  
Honolulu, Hawaii 96837

MR. RILEY SAITO  
THE SOLAR ALLIANCE  
73-1294 Awakea Street  
Kailua-Kona, Hawaii 96740

JOEL K. MATSUNAGA  
HAWAII BIOENERGY, LLC  
737 Bishop Street, Suite 1860  
Pacific Guardian Center, Mauka Tower  
Honolulu, Hawaii 96813

KENT D. MORIHARA, ESQ.  
KRIS N. NAKAGAWA, ESQ.  
SANDRA L. WILHIDE, ESQ.  
MORIHARA LAU & FONG LLP  
841 Bishop Street, Suite 400  
Honolulu, Hawaii 96813  
Counsel for HAWAII BIOENERGY, LLC  
Counsel for MAUI LAND & PINEAPPLE COMPANY, INC.

MR. THEODORE E. ROBERTS  
SEMPRA GENERATION  
101 Ash Street, HQ 12  
San Diego, California 92101

MR. CLIFFORD SMITH  
MAUI LAND & PINEAPPLE COMPANY, INC.  
P. O. Box 187  
Kahului, Hawaii 96733

MR. ERIK KVAM  
CHIEF EXECUTIVE OFFICER  
ZERO EMISSIONS LEASING LLC  
2800 Woodlawn Drive, Suite 131  
Honolulu, Hawaii 96822

JOHN N. REI  
SOPOGY INC.  
2660 Waiwai Loop  
Honolulu, Hawaii 96819

GERALD A. SUMIDA, ESQ.  
TIM LUI-KWAN, ESQ.  
NATHAN C. NELSON, ESQ.  
CARLSMITH BALL LLP  
ASB Tower, Suite 2200  
1001 Bishop Street  
Honolulu, Hawaii 96813  
Counsel for HAWAII HOLDINGS, LLC,  
dba FIRST WIND HAWAII

MR. CHRIS MENTZEL  
CHIEF EXECUTIVE OFFICER  
CLEAN ENERGY MAUI LLC  
619 Kupulau Drive  
Kihei, Hawaii 96753

MR. HARLAN Y. KIMURA, ESQ.  
CENTRAL PACIFIC PLAZA  
220 South King Street, Suite 1660  
Honolulu, Hawaii 96813  
Counsel for TAWHIRI POWER LLC

SANDRA-ANN Y. H. WONG, ESQ.  
ATTORNEY AT LAW, A LAW CORPORATION  
1050 Bishop Street, #514  
Honolulu, Hawaii 96813  
Counsel for ALEXANDER & BALDWIN, INC.,  
Through its division,  
HAWAIIAN COMMERCIAL & SUGAR COMPANY

DATED: Honolulu, Hawaii, March 30, 2009.

CARRIE K. S. OKINAGA  
Corporation Counsel

By



GORDON D. NELSON  
Deputy Corporation Counsel

Attorneys for the City and County of Honolulu

08-07011/69359